FISCAL NOTE

SB 2891 - HB 2795

March 11, 2002

SUMMARY OF BILL:

- Amends TCA Title 55 Chapter 4 relative to the procurement process for service.
- Authorizes the department to enter into contracts for the administration and construction of specific service signs based upon a request for proposal process instead of a bidding process.
  - The request for proposals process would invite prospective proposers to participate and will indicate the service requirements, including, but not limited to, the marketing, management, maintenance and rental rates of specific service signs.
  - Such proposals shall be evaluated based on the proposer's qualifications, the amount of return generated by the proposer for the state and any additional factor or factors deemed relevant by the department.
  - The contract for such services would be awarded to the best-evaluated, responsive proposer.
- Removes the present law provisions regarding lease payments and cost outlined in TCA Title 54, Chapter 5, Part 11.
  - Under current law, any contract to perform administrative services must provide for lease payments to the department for a system of specific service signs.
  - Such lease payments must be fully reimburse the department for the cost of the signs, which must include the value of funds used by the department to pay for such signs.
  - Such cost must be recovered over a period of not more than 10 years. After the cost has been recovered, the department continues to charge a lease cost sufficient to recover the maintenance and replacement costs of the signs.
- Removes the present law requirement that levies a gross receipts royalty payment of 6% on the difference between the provider's gross revenues and the lease payments made to the state.
- The provisions of the bill would only apply to contracts entered into, or renewed after July 1, 2002.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - $1,500,000 / Highway Fund FY 04-05 and thereafter

Estimate assumes:

- Based on information provided by the Department of Transportation, the bill would eliminate revenues currently received by TDOT from the vendor. The current contract provides for $608,000 plus 6% of profits earned with was $25,000 last year. Furthermore, the current contract expires September 30, 2004. In addition if the construction of additional attraction boards were warranted in the future the Department would forgo any additional revenues from such increase.
- Shifting the responsibility to run the program to a private vendor and allowing that vendor to keep all revenue generated by the program while requiring TDOT to pay for the construction and maintenance of signs is estimated to decrease state revenues $1,500,000 to the highway fund.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport

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James A. Davenport, Executive Director

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